

# **WORKING CAPITAL FUND BOARD**

## **MINUTES OF MEETING**

### **MAY 28, 1998**

The meeting was brought to order by Archer Durham at 1:30 p.m.

Attendees: See attached list.

#### **(1) INTRODUCTION**

The Chair acknowledged representatives of the NTEU, and two representatives of the CIA who are benchmarking the Department's Fund.

#### **CFO MATTERS**

The Chair recognized Betty Smedley of the CFO. Ms. Smedley asked that her presentation be postponed to the end of the meeting, citing "saving the good news for last."

#### **(3) APPROVAL OF MINUTES OF APRIL 29, 1998 MEETING**

The Board approved the amended minutes.

#### **(4) FY 2000 BUDGET PROJECTIONS**

The chair asked the Board Secretary to provide the Board with an overview of the Fund's FY 2000 budget outlook. Howard Borgstrom called the Board's attention to his previously circulated paper on the subject, and provided a review of its highlights, including:

- C Budget estimates remain essentially flat except for three areas: (1) Building occupancy estimates have increased due to GSA rent increases. The projections were developed using conservative estimates that apply the highest GSA rate for leased buildings to all our leased buildings. (2) Contract Closeout estimates were developed as if all organizations used the full level of their service agreement, but customers have the option to budget for and request less service. (3) The Payroll and Personnel business will have increases after FY 2000 because the new system will move from design to operation. In addition it is uncertain if FERC and BPA will be included in the spread of costs.
- C There is no need for changes in pricing policies in FY 2000, although there are areas where the Board could make changes on its own. The Board could:

1. Approve an expansion of existing businesses to remove the current subsidy of business lines from the Departmental Administration Account. Based on businesses in the Fund in FY 1999, it is estimated that there is a 13% direct cost subsidy from the DA Account of \$11 million, representing approximately \$8 million in Federal salaries and \$3 million in costs to HR for space and other support.

The Chair asked the Secretary if the board could selectively include Federal employees in the Fund. He answered that yes, it is possible, but the Board would have to include an entire business line, and that you cannot franchise services unless you do.

2. Expand the current scope of the Fund to include: contractual activities already paid for by program offices, including timesharing and subscriptions, and electronic services; centrally funded contractual activities such as the Executive Information System, corporate management systems, HQ security, property, and library services; and common administrative services delivered by Federal employees, but which might see efficiency gains if delivered in a more rational framework.
3. Expand infrastructure capabilities. For example enhance the backup emergency power capability at Germantown.
4. Expand the customer base to include Field Offices use of FTS, timesharing and the like.
5. Realign current billing methodologies by consolidation of certain Information Management product lines and alignment of Electronic Services with Information Management rather than Building Occupancy.

- C The Board needs to address the color of money issue. How would Congress react to the use of program dollars for payments to the Fund?

The Board discussion of FY 2000 planning centered on the color of money issue and the following points were raised:

1. It appears that some FTS expenses and subscriptions are paid out of program funds in the Field but with Program Direction funds at HQ.
2. Betty Smedley stated that she believes that honesty is the best policy when addressing the

Hill, and that she would talk to Committee staff after the upcoming mark-up.

3. Steve Durbin of the EIA noted that there were efficiencies to putting the things noted by the Secretary into the Fund, and that a good case could be made to the Hill.
4. The Chair expressed his belief that these services, purchased with program funds, would be more appropriately purchased through the Fund.
5. John Clark of ER stated that he saw no need to enlarge the Fund during a time of diminishing resources.
6. The Secretary stated that none of the current practices are harmful, but they detract from managers' ability to make rational choices.

Subsequent to this discussion the Board agreed that more facts regarding the use of program money for these services were needed, and that Fund and CFO staff would jointly investigate how this money is spent.

**(5) BUSINESS LINE BRIEFING: Information Services**

The Chair noted that for the last two meetings, the Board has considered and deferred action on a proposed Information Services business line, each time requesting additional information and analysis. He asked the Board Secretary to bring the Board up to date on progress that the working group has made. Howard Borgstrom noted that at present HQ is spending approximately \$1000 per employee for information services, and said that Steve Durbin would brief the Board with help from several others from the Group. Steve told the Board that the current proposal for this business includes six business elements totaling \$6.3 million:

1. Acquisition Services (\$1 million) - subscriptions, book purchases, and translation services
2. Research Services (\$.2 million) - Librarian research assistance
3. Law Library (\$.6 million)
4. Technical library (\$1 million) - GTN & FSTL facilities
5. Timesharing (\$2.9 million) - electronic timesharing and subscriptions
6. CFO Executive Information System (\$.6 million)

Regarding Acquisition Services, Durbin offered that an analysis of spending for this service has shown that the discounts gained from bulk purchasing were not great enough to warrant the maintenance of an HR monopoly on this service. Therefore the group is proposing that organizations be allowed the options of choosing centralized purchasing or using their purchase cards to secure these services. Discussion centered on the tradeoff between volume discounts and

overhead costs. The Board supported deregulation of this function to permit use of credit card purchases where economical.

There followed a brief discussion of Business Elements 2 through 4, subsequent to which the Board agreed to leave proposed Elements 1 through 4 out of the Fund, but to have HR offer organizations the option of using purchase cards to pay for Acquisition Services.

The Board then addressed Timesharing with the following issues discussed:

1. This service is presently funded 50/50 between HQ and the field.
2. If a program uses the Library or the Law library they receive the service for free. If they get the service at their desk they are charged.
3. The overhead on this service is 5% or \$120K.
4. The charge for these services is a flat fee to the Department that is determined by the previous year's usage. At the present rate of usage HR will not be able to fully fund the service in FY 1999, and may have resort to "rationing."

The Board decided not to include this Business element in the Fund, and that heavy users of these services should find ways to control their costs.

Next the Board considered the CFO's Executive Information System (EIS). Betty Smedley told the Board that she wanted this service to operate on a "fee-for-service" basis, as follows:

1. A one time fixed fee per user connected.
2. The cost of maintenance and operations will be assessed on a pro-rata basis to all who have access to the system.
3. There are plans to have the system Web based in the future, and fees may go down.

The Board voted to accept the EIS into the Fund in FY 1999 as proposed.

#### **(6) CFO MATTERS**

The Board then turned to the "good news" matters raised by Ms. Smedley. She noted that this meeting was the last in the Chairs tenure. He has been the only Chair that the Fund has had, and in her mind he is "the daddy of the Fund." She conveyed the thanks and appreciation of the Board to Mr. Durham and presented him with a plaque honoring his service to the Fund. Mr. Durham thanked Ms. Smedley and the members of the Board, and noted the contributions that many have made to the Fund, especially those of the Board Secretary. He further stated that the Fund is:

C In the interest of the Department

- C Has enhanced the corporate outlook of participants
- C Controlled expenditures
- C Has the “metrics” all headed in the right direction

(7) **ADJOURN**

Meeting was adjourned at 3:30 P.M. without discussion of plans for the next meeting.

**BOARD:**

Chair: Archer Durham  
 CFO Betty Smedley  
 GC: Ralph Goldenberg  
 ER: John R. Clark  
 FE Gail Stern  
 NN Tom Ryder  
 EI Steve Durbin  
 NE Arnie Sirulnik  
 EH Geoffrey J. Judge  
 PO: Peg Weathers  
 WT (Absent)  
 Howard Borgstrom, Secretary

**PRESENTERS:**

Steve Durbin, EI  
 Warren Huffer, CR

**ATTENDEES:**

**HR:**

Tom Tamura  
 Pete Richards  
 Fran Feiner  
 Charlie Morris  
 Amos Street  
 Doug Bielan  
 Dean Smith  
 Roscoe Harris  
 Maryanne Wallace  
 Craig Wisooker  
 John Harrison  
 Ron Shores

Ann Warnick  
 Diane Friis  
 Bobbie Tierney  
 Ingrid Robinson  
 Terry Byce  
 Howard Landon  
 Don Frizell  
 Louie D’Angelo  
 Denise Diggin  
 Pat Hargett  
 Jeff Rubinstein  
 Vince Brooks  
 Bill Sylvester  
 Brian Costlow

Mary Anderson  
Pete Grahn  
Linda Sye  
Laurie Smith  
Faye Zimmerman  
Ginnie Bitler

**CR:**

George Tengan  
Bill White  
Warren Huffer  
Jack Lopez

**NTEU:**

Al Knight  
Scott Chayette

**IG:**

Barry Schrum  
Jim Richter

**EE:**

Frank McCann

**HG:**

Brian MacPherson

**EH:**

Leslie Gasprow

**EM:**

Dan Phillips

**GC:**

Dan Bullington

**PO:**

Linda Whitted

**CI/PA:**

Laura Brown

**CIA:**

Mark Mahoney  
Bill Regan